

VILLAGE OF FOLSOM, LOUISIANA**Annual Financial Statements****June 30, 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/10/08

Contents

	Statement	Schedule	Page
Independent Auditor's Report			1 - 2
Required Supplemental Information (Part I)			
Management's Discussion and Analysis			4 - 9
Basic Financial Statements			
Government-Wide Financial Statements			
Statement of Net Assets	A		11
Statement of Activities	B		12
Fund Financial Statements			
Governmental Funds			
Balance Sheet	C		14
Reconciliation of the Governmental Fund Balances to the Government-Wide Financial Statement of Net Assets	D		15
Statement of Revenues, Expenditures and Change in Fund Balance	E		16
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Change in Fund Balance to the Statement of Activities	F		17
Proprietary Funds			
Statement of Net Assets	G		18
Statement of Revenues, Expenses and Change in Net Assets	H		19
Statement of Cash Flows	I		20 - 21
Notes to the Financial Statements			23 - 41
Required Supplemental Information (Part II)			
Budgetary Comparison Schedules		1 to 3	43 - 46
Other Supplemental Information			
Non-Major Governmental Funds			
Combining Balance Sheet		1	48
Combining Statement of Revenues, Expenditures, and Change in Fund Balances		2	49
Schedule of Governing Board		3	50

**Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

52 - 53



Independent Auditor's Report

To the Honorable Marshall Brumfield
and Members of the Board of Aldermen
Village of Folsom, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Folsom, Louisiana (the Village), as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Folsom, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Folsom, Louisiana, as of June 30, 2008, and the respective change in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2008, on our consideration of the Village of Folsom, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The management's discussion and analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Folsom, Louisiana's basic financial statements. The accompanying supplemental information listed in the table of contents under Other Supplemental Information and identified as Schedule 1 through Schedule 3 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.



A Professional Accounting Corporation

August 22, 2008

REQUIRED SUPPLEMENTAL INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF FOLSOM, LOUISIANA
Year Ended June 30, 2008

Management's Discussion and Analysis

As management of the Village of Folsom, Louisiana (the Village), we offer readers the Village of Folsom, Louisiana's financial statements this narrative overview and analysis of the financial activities of the Village of Folsom, Louisiana, for the fiscal year ended June 30, 2008. This Management's Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the Village's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Village's finances. It is also intended to provide readers with an analysis of the Village's short-term and long-term activities, based on information presented in the financial report and fiscal policies that have been adopted by the Village. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the notes to financial statements and the other Required Supplemental Information (RSI) that is provided in addition to this MD&A.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The Village's basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to Financial Statements
4. Required Supplemental Information
5. Other Supplemental Information

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the Village's financial position and results of operations in a manner similar to a private-sector business.

- A. The *Statement of Net Assets* presents information on all of the Village's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or weakening.

VILLAGE OF FOLSOM, LOUISIANA
Year Ended June 30, 2008

Management's Discussion and Analysis

- B. The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the Village into:

Governmental Activities that are principally supported by taxes and intergovernmental revenues, and

Business-Type Activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Village assets exceeded its liabilities at the close of the most recent fiscal year by \$2,446,577 (*net assets*). The Village's net assets are comprised of \$715,405 from Governmental Activities and \$1,731,172 from Business-Type Activities as shown on Statement A.

By far, the largest portion of the Village's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles, Village infrastructure, etc.), less any related debt used to acquire those assets that are still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net assets represents resources that are subject to external restrictions on how they may be used and are classified as such. The remaining balance consists of unrestricted net assets.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities for all funds except the Sewer Fund.

VILLAGE OF FOLSOM, LOUISIANA
Year Ended June 30, 2008

Management's Discussion and Analysis

Governmental Activities

The Governmental Activities of the Village include General Government, Public Safety and Public Works. Sales taxes, franchise taxes, occupational licenses and permits, tower lease, fines and other revenues fund most of these governmental activities.

The following shows the Village's expenses related to those functions typically associated with governments. Below, we show the General Government expenses, which include salaries, building cost, alderman fees, depreciation, and other general administration cost. Public Safety expenses encompass the Police department. Public Works expenses include salaries and maintenance of infrastructure.

Governmental Activity Expenses	For the Years Years Ended June 30,			
	2008	Percentage	2007	Percentage
General Government	\$ 360,416	38%	\$ 276,303	45%
Public Safety	266,135	28%	216,156	35%
Public Works	316,744	33%	118,700	19%
Interest on Debt	3,868	1%	961	1%
Total Governmental Activities	\$ 947,163	100%	\$ 612,120	100%

General revenues are those available for the Village to use to pay for the governmental activities described above. The following shows the Village's general revenues:

General Revenues	For the Years Ended June 30,			
	2008	Percentage	2007	Percentage
Taxes	\$ 613,147	82%	\$ 599,759	86%
Insurance Licenses	92,345	12%	84,735	12%
Licenses and Permits	35,026	5%	31,947	5%
Fines and Forfeitures	15,809	2%	20,519	3%
Investment Earnings	9,693	1%	18,003	3%
Other General Revenues	62,403	8%	34,923	5%
Transfers	(77,900)	-10%	(88,900)	-14%
Total General Revenues and Transfers	\$ 750,523	100%	\$ 700,966	100%

VILLAGE OF FOLSOM, LOUISIANA
Year Ended June 30, 2008

Management's Discussion and Analysis

Business-Type Activities

The business-type activities of the Village are those that the Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's water, sewer, and garbage departments are reported here.

Business - Type Activities	Water		Sewer		Garbage	
	For the Years		For the Years		For the Years	
	Ended June 30,		Ended June 30,		Ended June 30,	
	2008	2007	2008	2007	2008	2007
Operating Revenues	\$ 110,498	\$ 116,039	\$ 69,537	\$ 71,574	\$ 32,136	\$ 32,307
Operating Expenses	150,940	140,352	128,087	136,696	31,015	28,737
Net Operating Loss	\$ (40,442)	\$ (24,313)	\$ (58,550)	\$ (65,122)	\$ 1,121	\$ 3,570

2. FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

- A. Governmental funds are used to account for most of the Village's basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciling statements are presented as Statement D and Statement F.

VILLAGE OF FOLSOM, LOUISIANA
Year Ended June 30, 2008

Management's Discussion and Analysis

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balances for the General Fund and Special Revenue Fund, which are considered to be major funds. Data from the other governmental funds, which include the Sewer Treatment Debt Service Fund and the Street Improvement Debt Service Fund, are combined into a single, aggregated presentation.

The basic governmental fund financial statements are presented as Statement C and Statement E of this report.

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$622,198. In the General Fund, the unreserved fund balance is \$332,189. The Village has an unreserved fund balance of \$227,681 in the Special Revenue Fund, which handles the sales tax collections.

The reserved fund balance in non-major governmental funds in the amount of \$62,328 indicates that these funds are not available for new spending because they have already been committed for debt service. The net increase in fund balance during the current year in the debt service funds was \$2,205. The debt service funds' total fund balance is reserved for the payment of debt.

Change in Fund Balance of the Village's Major Funds follow:

	General Fund	Special Revenue Fund
Fund Balance at June 30, 2007	\$ 471,483	\$ 351,744
Fund Balance at June 30, 2008	<u>332,189</u>	<u>227,681</u>
Decrease in Fund Balance	<u>\$ 139,294</u>	<u>\$ 124,063</u>

Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the Other Supplemental Information portion of this report, presented as Schedule 1 and Schedule 2.

- B. Proprietary funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Water, Sewer and Garbage departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

VILLAGE OF FOLSOM, LOUISIANA
Year Ended June 30, 2008

Management's Discussion and Analysis

The proprietary fund financial statements provide separate information for the Water, Sewer and Garbage departments, which are considered to be major funds of the Village. The basic proprietary fund financial statements are presented as Statement G, Statement H, and Statement I of this report.

3. NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 41 of this report.

4. REQUIRED SUPPLEMENTAL INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information is presented as Schedule 1, Schedule 2, and Schedule 3 of this report.

5. OTHER SUPPLEMENTAL INFORMATION

- A. Combining statements of the Non-Major Governmental Funds for the Town Hall Debt Service Fund and the Street Improvement Project Debt Service Fund have been presented as Schedule 1 and Schedule 2 of the Other Supplemental Information section of this report.
- B. The Schedule of Governing Board is presented as Schedule 3 of the Other Supplemental Information section of this report.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Joyce Core, Village Administrator, 82378 June Street, Folsom, Louisiana 70437.

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement A

VILLAGE OF FOLSOM, LOUISIANA
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 378,726	\$ 10,179	\$ 388,905
Investments	176,343	4,305	180,648
Receivables			
Water, Sewer and Garbage (Net)	-	15,250	15,250
Sales Taxes	42,728	-	42,728
Other	11,257	2,007	13,264
Internal Balances	16,254	(16,254)	-
Restricted Cash and Cash Equivalents	-	117,998	117,998
Capital Assets, Net	216,300	2,361,405	2,577,705
Total Assets	841,608	2,494,890	3,336,498
Liabilities			
Accounts Payable	1,592	70	1,662
Accrued Liabilities	1,518	-	1,518
Compensated Absences	35,743	5,852	41,595
Payable from Restricted Assets			
Customer Deposits	-	44,375	44,375
Revenue Bonds - Due within One Year	-	13,989	13,989
Revenue Bonds Payable - Due in More than One Year	-	699,432	699,432
Certificates of Indebtedness Payable			
Due within One Year	19,000	-	19,000
Due in More than One Year	63,000	-	63,000
Community Disaster Loan Payable			
Due in More than One Year	5,350	-	5,350
Total Liabilities	126,203	763,718	889,921
Net Assets			
Invested in Capital Assets, Net of Related Debt	134,300	1,661,973	1,796,273
Restricted for:			
Debt Service	62,328	-	62,328
Revenue Bonds	-	55,428	55,428
Meter Deposits	-	4,206	4,206
Unrestricted	518,777	9,565	528,342
Total Net Assets	\$ 715,405	\$ 1,731,172	\$ 2,446,577

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FOLSOM, LOUISIANA
Statement of Activities
June 30, 2008

Statement B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets		Total
		Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	
Governmental Activities						
General Government	\$ 360,416	\$ 36,534	\$ -	\$ (323,882)	\$ -	\$ (323,882)
Public Safety	266,135	-	24,500	(241,635)	-	(241,635)
Public Works	316,744	-	-	(316,744)	-	(316,744)
Interest Expense	3,868	-	-	(3,868)	-	(3,868)
Total Governmental Activities	947,163	36,534	24,500	(886,129)	-	(886,129)
Business-Type Activities						
Water	150,940	110,498	-	-	(40,442)	(40,442)
Sewer	128,087	69,537	-	-	(58,550)	(58,550)
Garbage	31,015	32,136	-	-	1,121	1,121
Interest Expense	33,132	-	-	-	(33,132)	(33,132)
Total Business-Type Activities	343,174	212,171	-	-	(131,003)	(131,003)
Total	\$ 1,290,337	\$ 248,705	\$ 24,500	(886,129)	(131,003)	(1,017,132)
General Revenues						
Taxes				613,147	-	613,147
Insurance Licenses				92,345	-	92,345
Licenses and Permits				35,026	-	35,026
Fines and Forfeitures				15,809	-	15,809
Investment Earnings				9,693	2,063	11,756
Other General Revenues				62,403	-	62,403
Transfers				(77,900)	77,900	-
Total General Revenues and Transfers				750,523	79,963	830,486
Change in Net Assets				(135,606)	(51,040)	(186,646)
Net Assets, Beginning of Year				851,011	1,782,212	2,633,223
Net Assets, End of Year				\$ 715,405	\$ 1,731,172	\$ 2,446,577

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS

VILLAGE OF FOLSOM, LOUISIANA
 Balance Sheet
 Governmental Funds
 Year Ended June 30, 2008

	General Fund	Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 248,778	\$ 67,620	\$ 62,328	\$ 378,726
Investments	50,563	125,780	-	176,343
Receivables, Net				
Sales Taxes	-	42,728	-	42,728
Other Receivables	11,257	-	-	11,257
Due from Other Funds	49,806	-	-	49,806
Total Assets	\$ 360,404	\$ 236,128	\$ 62,328	\$ 658,860
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 1,592	\$ -	\$ -	\$ 1,592
Accrued Liabilities	1,518	-	-	1,518
Due to Other Funds	25,105	8,447	-	33,552
Total Liabilities	28,215	8,447	-	36,662
Fund Balance				
Reserved for Debt Service	-	-	62,328	62,328
Unreserved, Reported in:				
General Fund	332,189	-	-	332,189
Special Revenue Fund	-	227,681	-	227,681
Total Fund Balances	332,189	227,681	62,328	622,198
Total Liabilities and Fund Balances	\$ 360,404	\$ 236,128	\$ 62,328	\$ 658,860

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FOLSOM, LOUISIANA
Reconciliation of the Governmental Fund Balances to the
Government-Wide Financial Statement of Net Assets
June 30, 2008

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances - Total Governmental Funds	\$ 622,198
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental Capital Assets	519,129
Less: Accumulated Depreciation	(302,829)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Community Disaster Loan Payable	(5,350)
Bonds Payable	(82,000)
Compensated Absences	<u>(35,743)</u>

Net Assets of Governmental Activities	<u>\$ 715,405</u>
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The accompanying notes are an integral part of these financial statements.

Statement E

VILLAGE OF FOLSOM, LOUISIANA
Statement of Revenues, Expenditures and Change in Fund Balance
Governmental Funds
Year Ended June 30, 2008

	General Fund	Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Sales Taxes	\$ -	\$ 569,626	\$ -	\$ 569,626
Franchise Taxes	37,776	-	-	37,776
Other	5,745	-	-	5,745
Licenses and Permits	35,026	-	-	35,026
Insurance Licenses	92,345	-	-	92,345
Tower Lease	36,534	-	-	36,534
Grants	24,500	-	-	24,500
Fines and Forfeitures	15,809	-	-	15,809
Interest Income	2,040	7,131	522	9,693
Other Revenues	56,561	5,842	-	62,403
Total Revenues	306,336	582,599	522	889,457
Expenditures				
Current				
General Government	443,417	-	-	443,417
Public Safety	301,679	-	-	301,679
Public Works	-	305,745	-	305,745
Debt Service				
Principal	-	-	18,000	18,000
Interest and Fiscal Charges	-	-	3,868	3,868
Total Expenditures	745,096	305,745	21,868	1,072,709
Excess (Deficiency) of Revenues Over Expenditures	(438,760)	276,854	(21,346)	(183,252)
Other Financing Sources (Uses)				
Transfers In	323,017	-	23,551	346,568
Transfers Out	(23,551)	(400,917)	-	(424,468)
Net Transfers	299,466	(400,917)	23,551	(77,900)
Net Change in Fund Balances	(139,294)	(124,063)	2,205	(261,152)
Fund Balance, Beginning of Year	471,483	351,744	60,123	883,350
Fund Balance, End of Year	\$ 332,189	\$ 227,681	\$ 62,328	\$ 622,198

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FOLSOM, LOUISIANA
Reconciliation of the Governmental Fund Statement of
Revenues, Expenditures and Change in Fund Balance
to the Statement of Activities
Year Ended June 30, 2008

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (261,152)
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Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense. This is the amount by which depreciation exceeded capital outlay charged in the current period.	109,451
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	18,000
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Change in Governmental Fund Compensated Absences	<u>(1,904)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ (135,606)</u></u>
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The accompanying notes are an integral part of these financial statements.

Statement G

VILLAGE OF FOLSOM, LOUISIANA
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Water	Sewer	Garbage	Total
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 1,875	\$ 3,104	\$ 5,200	\$ 10,179
Investments	4,305	-	-	4,305
Receivables				
Water, Sewer and Garbage (Net)	6,694	5,342	3,214	15,250
Other	1,387	516	104	2,007
Total Current Assets	<u>14,261</u>	<u>8,962</u>	<u>8,518</u>	<u>31,741</u>
Non-Current Assets				
Restricted Cash and Cash Equivalents	88,686	29,312	-	117,998
Capital Assets (Net of Accumulated Depreciation)	1,328,751	1,032,654	-	2,361,405
Total Non-Current Assets	<u>1,417,437</u>	<u>1,061,966</u>	<u>-</u>	<u>2,479,403</u>
Total Assets	<u>1,431,698</u>	<u>1,070,928</u>	<u>8,518</u>	<u>2,511,144</u>
Liabilities				
Current Liabilities				
Accounts Payable	70	-	-	70
Due to Other Funds	4,796	9,013	2,445	16,254
Compensated Absences	2,253	3,599	-	5,852
Payable from Restricted Assets				
Revenue Bonds	12,440	1,549	-	13,989
Customer Deposits	24,440	19,935	-	44,375
Total Current Liabilities	<u>43,999</u>	<u>34,096</u>	<u>2,445</u>	<u>80,540</u>
Non-Current Liabilities				
Revenue Bonds Payable	466,774	232,658	-	699,432
Total Liabilities	<u>510,773</u>	<u>266,754</u>	<u>2,445</u>	<u>779,972</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt Restricted for:	861,977	799,996	-	1,661,973
Revenue Bonds	50,093	5,335	-	55,428
Customer Deposits	1,713	2,493	-	4,206
Unrestricted Net Assets	7,142	(3,650)	6,073	9,565
Total Net Assets	<u>\$ 920,925</u>	<u>\$ 804,174</u>	<u>\$ 6,073</u>	<u>\$ 1,731,172</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FOLSOM, LOUISIANA
Statement of Revenues, Expenses and Change in Net Assets
Proprietary Funds
Year Ended June 30, 2008

	Water	Sewer	Garbage	Total
Operating Revenues				
Service Fees	\$ 96,863	\$ 68,137	\$ 32,086	\$ 197,086
Installation Fees	6,250	1,400	-	7,650
Delinquent Fees	7,108	-	-	7,108
Other	277	-	50	327
Total Operating Revenues	110,498	69,537	32,136	212,171
Operating Expenses				
Salaries and Fringe Benefits	47,577	47,141	-	94,718
Garbage Collection	-	-	29,340	29,340
Utilities	11,199	15,465	-	26,664
Repairs and Maintenance	13,625	19,487	-	33,112
Depreciation	48,913	32,343	-	81,256
General and Administrative	29,626	13,651	1,675	44,952
Total Operating Expenses	150,940	128,087	31,015	310,042
Operating Income (Loss)	(40,442)	(58,550)	1,121	(97,871)
Non-Operating Revenues (Expenses)				
Interest Income	1,524	539	-	2,063
Interest and Fiscal Charges	(22,688)	(10,444)	-	(33,132)
Total Non-Operating Expenses	(21,164)	(9,905)	-	(31,069)
Income (Loss) before Transfers	(61,606)	(68,455)	1,121	(128,940)
Operating Transfers	29,500	48,400	-	77,900
Change in Net Assets	(32,106)	(20,055)	1,121	(51,040)
Net Assets, Beginning of Year	953,031	824,229	4,952	1,782,212
Net Assets, End of Year	\$ 920,925	\$ 804,174	\$ 6,073	\$ 1,731,172

The accompanying notes are an integral part of these financial statements.

Statement I

VILLAGE OF FOLSOM, LOUISIANA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008

	Water	Sewer	Garbage	Total
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 118,724	\$ 73,644	\$ 32,570	\$ 224,938
Payments to Suppliers	(54,812)	(50,210)	(31,015)	(136,037)
Payments to Employees	(47,577)	(47,141)	-	(94,718)
Net Cash Provided by (Used in) Operating Activities	16,335	(23,707)	1,555	(5,817)
Cash Flows from Non-Capital Financing Activities				
Operating Transfers In	29,500	48,400	-	77,900
(Repayment) of Interfund Borrowings to Other Funds	(4,663)	(9,972)	(2,445)	(17,080)
Net Cash Provided by (Used in) Non-Capital Financing Activities	24,837	38,428	(2,445)	60,820
Cash Flows from Capital and Related Financing Activities				
Principal Paid on Capital Debt	(16,936)	(3,176)	-	(20,112)
Interest Paid on Capital Debt	(22,688)	(10,444)	-	(33,132)
Net Cash Used in Capital and Related Financing Activities	(39,624)	(13,620)	-	(53,244)
Cash Flows from Investing Activities				
Purchase of Investments	(165)	-	-	(165)
Interest Received	1,524	539	-	2,063
Net Cash Provided by Investing Activities	1,359	539	-	2,063
Net Increase (Decrease) in Cash and Cash Equivalents	2,907	1,640	(890)	3,822
Cash and Cash Equivalents, Beginning of Year	87,654	30,776	6,090	124,520
Cash and Cash Equivalents, End of Year	\$ 90,561	\$ 32,416	\$ 5,200	\$ 128,177
Cash and Cash Equivalents Reconciliation				
Cash and Cash Equivalents (Unrestricted)	\$ 1,875	\$ 3,104	\$ 5,200	\$ 10,179
Restricted Cash and Cash Equivalents	88,686	29,312	-	117,998
Cash and Cash Equivalents, End of Year	\$ 90,561	\$ 32,416	\$ 5,200	\$ 128,177

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FOLSOM, LOUISIANA
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2008

Statement I (Continued)

	Water	Sewer	Garbage	Total
Reconciliation of Operating Loss to Net Cash				
Provided by (Used in) Operating Activities				
Operating (Loss) Income	\$ (40,442)	\$ (58,550)	\$ 1,121	\$ (97,871)
Adjustments to Reconcile Operating (Loss) Income to Net Cash				
Provided by (Used in) Operating Activities				
Depreciation	48,913	32,343	-	81,256
Changes in Assets and Liabilities				
Decrease in Accounts Receivable	5,871	2,782	434	9,087
(Decrease) in Accounts Payable and Accrued Liabilities	(362)	(1,607)	-	(1,969)
Increase in Customer Deposits	2,355	1,325	-	3,680
Net Cash Provided by (Used in) Operating Activities	\$ 16,335	\$ (23,707)	\$ 1,555	\$ (5,817)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Introduction

The Village of Folsom, Louisiana (the Village), was incorporated in 1915, under the provisions of the Lawrason Act, Louisiana Revised Statute (LRS) 33:321. The Village operates under a Mayor-Board of Aldermen form of government. The Village provides police protection, maintenance of streets, water, sewer, and garbage services.

The accounting and reporting policies of the Village conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of LRS 24:517 and to the guides set forth in the *Louisiana Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

Note 1. Summary of Significant Accounting Policies

Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the Village includes all funds which are controlled by or dependent on the Village, which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation and management or governing authority, and authority to issue debt. Based on these criteria, the Village has determined that there are no component units that are part of the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and the Village's proprietary funds. Most individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Village. This fund is used to account for all financial transactions and resources, except those that are required to be accounted for in another fund. Revenues are derived primarily of transfers from the Special Revenue Fund, licenses and permits, local taxes, fines and forfeitures, charges for service, and interest income. Expenditures of the General Fund include both general government and public safety.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes. The Village's Special Revenue Fund accounts for the collection of three sales tax issues described as follows:

1982 1% Sales Tax - All proceeds of tax are pledged and dedicated to the retirement of 1982 General obligation bonds for the sewer treatment plant. Uses of funds are as follows:

1. Payment of all reasonable and necessary expenses of collection and administering tax.
2. Payment of all debt service reserve accounts.
3. Payment of all reasonable and necessary expenses of operating the system.
4. All remaining monies will be regarded as surplus and can be used for any lawful purpose.

1986 1% Sales Tax - Proceeds are undesignated as to use.

1995 ½% Sales Tax - Dedicated to providing police protection to the Village.

Additionally, the Village reports two Debt Service Funds - Town Hall and Street Improvement Project. Debt Service Funds are used to account for the accumulation of resources for, and payment of, long-term debt principal and interest.

The Village has three proprietary funds to account for the water, sewer, and garbage services it provides to the residents and businesses of the Village.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of, the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues for the Village's proprietary funds consist of charges to customers and users of its water and sewer services. Operating expenses for the Village's proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

All proposed budgets must be completed and submitted to the Village Council no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means for financing them. The final budget must be adopted before the ensuing fiscal year begins.

The Village adopted a budget on a basis consistent with generally accepted accounting principles for the following funds: General Fund and Special Revenue Fund. At the end of the fiscal year, unexpended appropriations of these funds automatically lapse. The Village follows these procedures in establishing the budgetary data reflected in this statement:

1. The Mayor, Board of Aldermen, Village Clerk, and other advisory personnel assemble the necessary financial information. The Mayor submits the information for review to the Board of Aldermen at least 45 days prior to July 1st of the following year.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the beginning of the new fiscal year, the budget is legally enacted through passage of a resolution by the Board of Aldermen.
4. The Mayor is authorized to transfer budgeted amounts among programs within a department, office or agency; however, any revisions that alter the total revenues and/or expenditures budgeted for any department, office, agency or fund must be approved by the Board of Aldermen.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments

Cash includes amounts in demand deposits.

Under state law, the Village may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Village may invest in United States bonds, treasury notes, repurchase agreements, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Short-term investments are stated at amortized cost, which approximates market. Investments, as required by Government Auditing Standards Board Statement No. 31 are reported at fair value, which is determined using selected bases.

Cash and cash equivalents consist of cash, as defined above, including restricted cash.

Accumulated Unpaid Vacation Leave and Sick Pay

The Village's employees earn vacation time at the rate of two weeks for up to five years of service, three weeks for up to ten years of service, and four weeks for ten years or more of service. Sick leave is earned at a rate of one day per month and can accumulate up to a limit of 480 hours. Sick leave is not paid upon termination or retirement. The Village has recorded a liability for unpaid compensated absences of \$35,743 for Governmental Activities, \$2,253 in the Water Enterprise Fund and \$3,599 in the Sewer Enterprise Fund.

Accounts Receivable

Outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances".

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable. The allowance is \$3,811 for the Water Fund, \$4,600 for the Sewer Fund, and \$2,000 for the Garbage Fund at June 30, 2008.

Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$2,500 or more for capitalizing assets.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital outlays are recorded as expenditures in the fund financial statements, and they are recorded as assets in the government-wide financial statements to the extent the Village's capitalization threshold is met. In accordance with GASB Statement No. 34, the Village is a Phase 3 government and, as such, is not required to capitalize its infrastructure retroactively. The Village has decided to record its infrastructure on a prospective basis. The Village has capitalized its water and sewer infrastructure. The Village capitalizes interest on construction in its Proprietary Funds. Capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	20 Years
Buildings and Building Improvements	15 - 40 Years
Water and Sewer System	40 Years
Furniture and Fixtures	7 Years
Vehicles	5 Years
Equipment	5 - 20 Years

Long-Term Obligations

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Equity

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Net assets with constraints placed on the use either by:
 - a. external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or
 - b. law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Interfund Transactions

Permanent re-allocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Debt Service Funds, which were not budgeted. All annual appropriations lapse at fiscal year end.

The Village was in compliance with the Local Budget Act. See Note 1 for the procedures the Village follows regarding budgets and budgetary accounting.

The Village does not utilize encumbrance accounting.

Note 2. Stewardship, Compliance and Accountability

Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The Village was in compliance with the deposit and investment laws and regulations.

Compliance with Debt Covenants

1. Compliance with Water Revenue Bond Covenants

As of June 30, 2008, the Village was in compliance with all Water Revenue Bond Covenants.

2. Compliance with Sewer Revenue Bond Covenants

As of June 30, 2008, the Village was in compliance with all Sewer Revenue Bond Covenants.

Note 3. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Under state law, the Village may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 3. Cash and Cash Equivalents (Continued)

At year-end, the carrying amount of the Village's bank deposits was \$506,903 (including \$117,998 of restricted cash) and the bank balance was \$502,313. The difference was primarily due to outstanding checks and deposits. Of the bank balances, \$114,449 was covered by federal depository insurance. In compliance with state laws, the remaining balance of \$387,864 was secured by bank-owned securities specifically pledged to the Village and held by an independent custodian bank (GASB Category 3).

Even though the deposits covered by pledged securities are considered uncollateralized (Category 3), under the provisions of GASB Statement No. 3, and exposed to custodial credit risk, under the provisions of GASB Statement No. 40, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Village that the fiscal agent has failed to pay deposited funds upon demand. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

Note 4. Investments

Investments held at June 30, 2008, consist of \$180,648 in Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification 150.125 because the investment is in a pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LRS 33:2955.

GASB Statement No. 40 *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a money market - like investment pool. The following facts are relevant for money market - like investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 4. Investments (Continued)

- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: Money market - like investment pools are excluded from this disclosure requirement, per paragraph 15 of the GASB Statement No. 40.
- Foreign currency risk: Not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

Note 5. Capital Assets

The following is a summary of the change in capital assets for the fiscal year ended June 30, 2008:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental Activities				
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 114,692	\$ 99,985	\$ -	\$ 214,677
Equipment, Furniture and Vehicles	255,594	48,858	-	304,452
Total Capital Assets Being Depreciated	370,286	148,843	-	519,129
Less Accumulated Depreciation for:				
Buildings and Improvements	(69,614)	(17,263)	-	(86,877)
Equipment, Furniture and Vehicles	(193,823)	(22,129)	-	(215,952)
Total Accumulated Depreciation	(263,437)	(39,392)	-	(302,829)
Total	\$ 106,849	\$ 109,451	\$ -	\$ 216,300

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 14,350	\$ -	\$ -	\$ 14,350
Capital Assets Being Depreciated				
Water System and Equipment	1,913,674	-	-	1,913,674
Sewer System and Equipment	1,196,680	-	-	1,196,680
Total Capital Assets Being Depreciated	3,110,354	-	-	3,110,354
Less Accumulated Depreciation for:				
Water System and Equipment	(550,362)	(48,913)	-	(599,275)
Sewer System and Equipment	(131,681)	(32,343)	-	(164,024)
Total Accumulated Depreciation	(682,043)	(81,256)	-	(763,299)
Total Capital Assets Being Depreciated, Net	2,428,311	(81,256)	-	2,347,055
Total	\$ 2,442,661	\$ (81,256)	\$ -	\$ 2,361,405

Depreciation was charged to governmental functions as follows:

Public Safety	\$ 15,079
Public Works	13,314
General Government	10,999
Total	\$ 39,392

Note 6. Employee Pension Plan

Substantially all employees of the Village of Folsom, Louisiana are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana and Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer, defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 6. Employee Pension Plan (Continued)

1. Municipal Employees Retirement System of Louisiana (System)

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

Plan Description

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds, and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 20 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy

Under Plan B, members are required by state statute to contribute 7.5 percent of their annual covered salary, and the Village of Folsom, Louisiana is required to contribute at an actuarially determined rate. The current rate is 13.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except in Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Village of Folsom, Louisiana are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village of Folsom, Louisiana's required contributions to the System under Plan B for the years ended June 30, 2008, 2007, and 2006, were \$10,650, \$16,054 and \$18,451, respectively, equal to the required contributions for the year.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 6. Employee Pension Plan (Continued)

2. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service, or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3½ percent of their final-average salary for each year of creditable service.

Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Village of Folsom, Louisiana is required to contribute at an actuarially determined rate. The current rate is 13.75 percent of annual covered payroll. The contribution requirements of plan members and the Village of Folsom, Louisiana are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village of Folsom, Louisiana's required contributions to the System for the years ended June 30, 2008, 2007, and 2006 were \$16,577, \$14,031 and \$13,793, respectively, equal to the required contributions for each year.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 7. Insurance Coverage

Type of Coverage	Period of Coverage	Coverage	
Auto Property Damage	8/19/2007 to 8/19/2008	Total	\$ 121,259
Commercial Property	1/1/2008 to 1/1/2009	Town Hall	277,637
		Water and Sewer	69,895
Fidelity Bond	12/30/2007 to 12/30/2008	Mayor and Aldermen	51,000
		Clerk	82,500
		Police Clerk	6,500
Workers' Compensation	1/1/2008 to 1/1/2009	Each Accident	100,000
		Policy Limit	500,000
		Each Employee	100,000
Automotive Liability	2/1/2007 to 2/1/2010	Total	500,000
Commercial General Liability	2/1/2007 to 2/1/2010	Aggregate and Each	500,000
		Medical - per Person	1,000
		Per Accident	10,000
		Fire	50,000
Law Enforcement Liability	2/1/2007 to 2/1/2010		500,000
Errors and Omissions	2/1/2007 to 2/1/2010		500,000

Note 8. Utility Rates

Water

Up to 2,000 Gallons	\$9
2,001 to 5,000	Additional \$2.10 per Thousand
5,001 to 10,000	Additional \$1.10 per Thousand
Over 10,001	Additional \$1.00 per Thousand

Sewer, Residential

Up to 2,000	\$12.50
Over 2,000	\$2.00 per Thousand

Sewer, Commercial

Up to 2,000	\$30.00
Over 2,000	\$2.00 per Thousand

Garbage

Fixed Rate of \$12.25

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 8. Utility Rates (Continued)

At June 30, 2008, the Village served the following customers:

	Residential	Commercial	Total
Water	459	34	493
Sewer	197	34	231
Garbage	189	-	189

Note 9. Enterprise Fund Receivables

At June 30, 2008, the Village's accounts receivable from utility customers is aged as follows:

Current	\$ 19,620
31 to 60 Days	967
61 to 90 Days	1,304
91 and Over	<u>3,770</u>
	25,661
Less: Allowance for Doubtful Accounts	<u>(10,411)</u>
Total	<u>\$ 15,250</u>

Note 10. Long-Term Liabilities

The following is a summary of long-term liability transactions and total long-term liabilities of the Village for the year ended June 30, 2008:

	Certificates of Indebtedness	Community Disaster Loan	Water Revenue	Sewer Revenue	Total
Bonds and Notes at July 1, 2007	\$ 100,000	\$ 5,350	\$ 496,142	\$ 237,384	\$ 838,876
Bonds Issued	-	-	-	-	-
Bonds Retired	<u>(18,000)</u>	<u>-</u>	<u>(16,928)</u>	<u>(3,177)</u>	<u>(38,105)</u>
Bonds and Notes at June 30, 2008	\$ 82,000	\$ 5,350	\$ 479,214	\$ 234,207	\$ 800,771

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 10. Long-Term Liabilities (Continued)

Certificates of Indebtedness

\$100,000 Certificate of Indebtedness, Series 2007,
due in varying semi-annual installments including
interest at 4.51% per annum through May 1, 2012. \$ 82,000

Community Disaster Loan

\$5,350 Community Disaster Loan issued 11/3/06,
secured by the revenues of the Village, repayment
dates are unknown as of the release of this report. \$ 5,350

Revenue Bonds - Water

\$145,000 Utility Bonds dated 11/1/72; purchased
by USDA - Rural Utilities Service, due in monthly
installments of \$717, with interest of 5% per annum
through January 1, 2012, secured by the revenues
of the Water Fund. \$ 7,406

\$550,000 Utility Bonds dated 3/15/99; purchased
by USDA - Rural Utilities Service, due in monthly
installments of \$2,585, with interest at 4.75% per annum
through February 29, 2039, secured by the revenues
of the Water Fund. 471,808

\$ 479,214

Revenue Bonds - Sewer

\$250,000 Utility Bonds dated 9/9/02; purchased
by USDA - Rural Utilities Service, due in monthly
installments of \$1,135, with interest at 4.5% per annum
beginning in February 2004 through February 2044,
secured by the revenues of the Sewer Fund. \$ 234,207

Future principal and interest payments for the Community Disaster Loan is uncertain and cannot be presented.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 10. Long-Term Liabilities (Continued)

The future debt service requirements of the bonds are as follows:

	Governmental		Water Revenue		Sewer Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 19,000	\$ 3,157	\$ 12,447	\$ 21,026	\$ 1,740	\$ 9,801	\$ 33,187	\$ 33,984
2010	20,000	2,435	9,036	21,976	3,216	10,404	32,252	34,815
2011	21,000	1,669	9,474	21,538	3,364	10,256	33,838	33,463
2012	22,000	857	9,934	21,078	3,518	10,102	35,452	32,037
2013	-	-	10,417	20,595	3,680	9,940	14,097	30,535
2014 - 2018	-	-	60,178	94,883	21,097	47,003	81,275	141,886
2019 - 2023	-	-	76,274	78,786	26,409	41,691	102,683	120,477
2024 - 2028	-	-	96,676	58,384	33,061	35,039	129,737	93,423
2029 - 2033	-	-	122,535	32,525	41,382	26,718	163,917	59,243
2034 - 2038	-	-	72,243	4,383	51,804	16,296	124,047	20,679
2039 - 2043	-	-	-	-	44,936	3,833	44,936	3,833
2044 - 2045	-	-	-	-	-	-	-	-
	<u>\$ 82,000</u>	<u>\$ 8,118</u>	<u>\$ 479,214</u>	<u>\$ 375,174</u>	<u>\$ 234,207</u>	<u>\$ 221,083</u>	<u>\$ 795,421</u>	<u>\$ 604,375</u>

Note 11. Interfund Receivables/Payables

The primary purpose of interfund receivables/payables is to loan monies from the General Fund to individual funds to cover current expenditures. Individual fund balances due from/to other funds at June 30, 2008, are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 49,806	\$ 25,105
Special Revenue Fund	-	8,447
Enterprise		
Water Fund	-	4,796
Sewer Fund	-	9,013
Garbage Fund	-	2,445
Total	<u>\$ 49,806</u>	<u>\$ 49,806</u>

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 12. Interfund Transfers

Operating transfers between funds consist primarily of sales tax revenues transferred out of the Sales Tax Fund to the particular funds for which the sales tax revenue is to be used.

	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 323,017	\$ 23,551
Special Revenue Fund	-	400,917
Debt Service		
Town Hall Fund	23,551	-
Enterprise		
Water Fund	29,500	-
Sewer Fund	48,400	-
Total	\$ 424,468	\$ 424,468

Note 13. Restricted Assets

On September 9, 2002, the Village issued \$250,000 of Utility Revenue Bonds, and on March 15, 2000, the Village issued \$550,000 of Utility Revenue Bonds. The proceeds of these bonds, along with a grant from U.S. Department of Agriculture, were used to fund the Village's water system improvements. The bond resolution of these issues, and also the resolution of Series 1972 Water Revenue Bonds, require the Village to restrict and maintain the following funds:

Revenue Bond Sinking Fund

The requirement calls for the establishment and maintenance of a Sewer Utility Revenue Bond and Sinking Fund sufficient to pay promptly and in full the principal of and the interest on bonds authorized as they become due and payable. As the Village makes monthly bond payments on both issues, the U.S. Department of Agriculture has waived this requirement.

Revenue Bond Reserve Fund

The Village is required to deposit monthly \$130 until the reserve requirement equal to the highest annual debt service (principal and interest) is obtained. This fund is restricted to be used to pay bonds in case of default. This requirement has been met as of June 30, 2008.

VILLAGE OF FOLSOM, LOUISIANA

Notes to Financial Statements

Note 13. Restricted Assets (Continued)

Depreciation and Contingency Fund

The resolution called for the establishment and maintenance of a Depreciation and Contingency Fund to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Regular deposits of \$185 per month are to be deposited with the regularly designated fiscal agent of the Village. This requirement has been met at June 30, 2008.

Note 14. Cash Flows Disclosure

During the year ended June 30, 2008, the Village's Enterprise Funds paid interest of \$33,132.

Note 15. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2007, the Village carried insurance through various commercial carriers to cover all risks of losses, except for the risk of loss of assets relating to certain vehicles and equipment. The Village has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

Note 16. Litigation

The Village is the defendant in a lawsuit, which is currently pending. It is the opinion of the counsel that an unfavorable judgment in this case will be covered by the Village's insurance policy. Accordingly, no liability has been recorded in these financial statements.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)
BUDGETARY COMPARISON SCHEDULES

Schedule 1

VILLAGE OF FOLSOM, LOUISIANA
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes	\$ 41,300	\$ 41,300	\$ 43,521	\$ 2,221
Licenses and Permits	39,250	41,250	35,026	(6,224)
Insurance Licenses	92,000	82,000	92,345	10,345
Tower Lease	21,000	36,000	36,534	534
Fines and Forfeitures	2,000	27,675	15,809	(11,866)
Grants	-	-	24,500	24,500
Interest Income	2,600	2,600	2,040	(560)
Miscellaneous	20,000	60,000	56,561	(3,439)
Total Revenues	218,150	290,825	306,336	15,511
Expenditures				
Current				
General Government	290,450	444,300	443,417	883
Public Safety - Police	237,200	301,700	301,679	21
Debt Service Payments	7,900	7,900	-	7,900
Total Expenditures	535,550	753,900	745,096	8,804
Deficiency of Revenues Under Expenditures	(317,400)	(463,075)	(438,760)	24,315
Other Financing Sources				
Operating Transfers In	284,000	300,000	299,466	(534)
Total Other Financing Sources	284,000	300,000	299,466	(534)
Net Change in Fund Balance	\$ (33,400)	\$ (163,075)	(139,294)	\$ 23,781
Fund Balance, Beginning of Year			471,483	
Fund Balance, End of Year			\$ 332,189	

Schedule 2

VILLAGE OF FOLSOM, LOUISIANA
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
General Government				
Salaries	\$ 71,150	\$ 71,150	\$ 68,321	\$ 2,829
Aldermen's and Mayor's Expenses	25,000	25,000	23,927	1,073
Payroll Taxes	950	950	11,712	(10,762)
Employee Pension Plan	17,700	17,700	10,650	7,050
Employee Health Insurance	14,500	14,500	11,607	2,893
Building Inspection Fees	6,300	6,300	7,408	(1,108)
Dues and Subscriptions	500	500	780	(280)
Capital Outlay	12,000	122,000	121,976	24
Fuel	6,700	6,700	5,204	1,496
Insurance	29,000	29,000	31,649	(2,649)
Legal and Professional	42,000	42,000	46,289	(4,289)
Office Supplies	12,000	12,000	6,625	5,375
Publications	3,200	3,200	2,575	625
Repairs and Maintenance	2,050	8,000	9,087	(1,087)
Supplies	13,000	21,000	20,968	32
Utilities	12,000	12,000	12,575	(575)
STMA/Centennial	2,100	10,000	10,241	(241)
Other	20,300	42,300	41,823	477
Total General Government	\$ 290,450	\$ 444,300	\$ 443,417	\$ 883

Schedule 2 (Continued)

VILLAGE OF FOLSOM, LOUISIANA
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Public Safety				
Salaries	\$ 130,000	\$ 130,000	\$ 133,328	\$ (3,328)
Employee Health Insurance	24,125	24,125	28,525	(4,400)
Retirement	14,800	14,800	16,577	(1,777)
Payroll Taxes	5,425	5,425	2,275	3,150
Capital Outlay	10,000	50,000	41,858	8,142
Fuel	9,500	9,500	11,214	(1,714)
Insurance	20,000	30,000	30,353	(353)
Law Enforcement Fees	300	300	537	(237)
Legal and Professional	1,500	1,500	583	917
Other	4,050	4,050	5,826	(1,776)
Repairs and Maintenance	5,500	5,500	4,606	894
Supplies and Uniforms	5,500	20,000	18,520	1,480
Telephone	5,000	5,000	6,727	(1,727)
Training	1,500	1,500	750	750
Total Public Safety	\$ 237,200	\$ 301,700	\$ 301,679	\$ 21

Schedule 3

VILLAGE OF FOLSOM, LOUISIANA
 Budgetary Comparison Schedule
 Special Revenue Fund
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes				
Sales and Use	\$ 570,000	\$ 570,000	\$ 569,626	\$ (374)
Other	12,285	12,285	5,842	(6,443)
Interest Income	6,500	6,500	7,131	631
Total Revenues	588,785	588,785	582,599	(6,186)
Expenditures				
Public Works				
Salaries	57,150	57,150	53,517	3,633
Payroll Taxes	1,200	1,200	2,552	(1,352)
Employee Health Insurance	5,900	5,900	7,591	(1,691)
Insurance	7,000	7,000	9,701	(2,701)
Dumpster	1,500	1,500	1,588	(88)
Highway Maintenance	2,000	2,000	2,152	(152)
Supplies	6,000	6,000	5,968	32
Street Lighting	2,500	2,500	605	1,895
Street Maintenance	42,000	42,000	13,490	28,510
Other	1,600	1,600	6,375	(4,775)
Capital Outlay	10,000	210,000	202,206	7,794
Total Expenditures	136,850	336,850	305,745	31,105
Excess of Revenues Over Expenditures	451,935	251,935	276,854	24,919
Other Financing Uses				
Operating Transfers	(401,050)	(441,050)	(400,917)	40,133
Total Other Financing Uses	(401,050)	(441,050)	(400,917)	40,133
Net Change in Fund Balance	\$ 50,885	\$ (189,115)	(124,063)	\$ 65,052
Fund Balance, Beginning of Year			351,744	
Fund Balance, End of Year			\$ 227,681	

OTHER SUPPLEMENTAL INFORMATION

Other Supplemental Information
Schedule 1

VILLAGE OF FOLSOM, LOUISIANA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

	<u>Debt Service</u>		
	<u>Town Hall</u>	<u>Street Improvement Project</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Cash	\$ 35,374	\$ 26,954	\$ 62,328
Total Assets	<u>\$ 35,374</u>	<u>\$ 26,954</u>	<u>\$ 62,328</u>
Fund Balance			
Reserved for Debt Service	\$ 35,374	\$ 26,954	\$ 62,328
Total Fund Balance	<u>\$ 35,374</u>	<u>\$ 26,954</u>	<u>\$ 62,328</u>

Other Supplemental Information
Schedule 2

VILLAGE OF FOLSOM, LOUISIANA
Combining Statement of Revenues, Expenditures and
Change in Fund Balance
Non-Major Governmental Funds
Year Ended June 30, 2008

	<u>Debt Service</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Town Hall</u>	<u>Street Improvement Project</u>	
Revenues			
Interest Income	\$ 306	\$ 216	\$ 522
Total Revenues	<u>306</u>	<u>216</u>	<u>522</u>
Expenditures			
Debt Service			
Principal	18,000	-	18,000
Interest and Fiscal Charges	3,868	-	3,868
Total Expenditures	<u>21,868</u>	<u>-</u>	<u>21,868</u>
(Deficiency) Excess of Revenues Over Expenditures	<u>(21,562)</u>	<u>216</u>	<u>(21,346)</u>
Other Financing Sources			
Operating Transfers In	23,551	-	23,551
Total Other Financing Sources	<u>23,551</u>	<u>-</u>	<u>23,551</u>
Net Change in Fund Balance	<u>1,989</u>	<u>216</u>	<u>2,205</u>
Fund Balance, Beginning of Year	<u>33,385</u>	<u>26,738</u>	<u>60,123</u>
Fund Balance, End of Year	<u>\$ 35,374</u>	<u>\$ 26,954</u>	<u>\$ 62,328</u>

Other Supplemental Information
Schedule 3

VILLAGE OF FOLSOM, LOUISIANA
Schedule of Governing Board
Year Ended June 30, 2008

Board of Aldermen	Compensation
George Garrett P.O. Box 44 Folsom, LA 70437 (985) 796-5745	\$ 450
Ronald Holliday P.O. Box 575 Folsom, LA 70437 (985) 796-5689	\$ 4,050
John T. Mathies 82337 Austin St. Folsom, LA 70437 (985) 796-0012	\$ 450
Charles Wilt 418 Acadian Drive Folsom, LA 70437 (985) 796-8082	\$ 4,775
Phillip Bickham P.O. Box 914 Folsom, LA 70437 (985) 796-3041	\$ 5,050
Myrtle Rodriguez 405 Village Farms Lane Folsom, LA 70437 (985) 796-5116	\$ 1,400

OTHER REPORTS



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Marshall Brumfield
and Members of the Board of Aldermen
Village of Folsom, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Folsom, Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the Village of Folsom, Louisiana's basic financial statements and have issued our report thereon dated August 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Folsom, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Folsom, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Folsom, Louisiana's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Folsom, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Folsom, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the Village of Folsom, Louisiana's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Folsom, Louisiana's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over the financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Folsom, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Village of Folsom, Louisiana, federal awarding agencies and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

August 22, 2008